

## Message Text

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ORIGIN EB-11

INFO OCT-01 NEA-14 ISO-00 SS-20 TRSE-00 CIAE-00 DODE-00

NSAE-00 NSCE-00 SSO-00 USIE-00 INRE-00 AID-20 INT-08

XMB-07 FEA-02 AEC-11 CEA-02 CIEP-02 COME-00 FPC-01

H-03 INR-11 L-03 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 STR-08 FRB-03 PA-04 PRS-01 /158 R

DRAFTED BY EB/ORF/FSE:SBOSWORTH:SL

APPROVED BY EB - MR. J. L. KATZ

TREASURY - MR. COOPER

NEA/ARP - MR. DICKMAN

S/S - MR. FRY

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O 180113Z JUL 74

FM SECSTATE WASHDC

TO AMEMBASSY TEL AVIV IMMEDIATE

AMCONSUL JERUSALEM IMMEDIATE

INFO AMEMBASSY KUWAIT IMMEDIATE

AMEMBASSY JIDDA IMMEDIATE

C O N F I D E N T I A L STATE 155388

E.O. 11652: GDS

TAGS: ENRG

SUBJECT: PROPOSED STATEMENT ON KUWAITI OIL BUY-BACK PRICE

FOR TREASURY SECRETARY SIMON

1. WE UNDERSTAND FROM GULF THAT KUWAITIS WERE "PLEASED"  
WITH GULF'S DECISION TO ACCEPT ULTIMATUM ON BUY-BACKPRICE.  
HOWEVER, KUWAITIS DO NOT INTEND TO ANNOUNCE NEW AGREEMENT  
UNTIL AFTER CABINET MEETING ON SUNDAY, JULY 21. WE ARE  
CONCERNED THAT ANNOUNCEMENT MAY COINCIDE WITH YOUR  
ARRIVAL THERE. THEREFORE, WE BELIEVE WE SHOULDPREEMPT  
THE KUWAITI ANNOUNCEMENT WITH A STATEMENT OF OUR OWN ALONG  
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THE LINES OF THAT BELOW. IF YOU CONCUR, WE WOULD PLAN TO

ISSUE STATEMENT THROUGH DEPARTMENT SPOKESMAN ON JULY 18. NEWS OF THE SETTLEMENT MAY LEAK IN THE MEANTIME. (WE UNDERSTAND FINANCIAL TIMES MAY CARRY STORY IN JULY 18 EDITION.) IF THIS OCCURS, WE WOULD USE THIS STATEMENT IN REPLY TO PROBABLE QUESTIONS FROM PRESS. IN ANY CASE, WE WOULD APPRECIATE YOUR COMMENTS SOONEST AS WELL AS THOSE OF EMBASSY KUWAIT.

2. FOLLOWING IS TEXT OF PROPOSED PRESS STATEMENT TO BE ISSUED BY DEPARTMENT.

QTE THE DEPARTMENT HAS BEEN INFORMED THAT THE KUWAIT OIL COMPANY (KOC), WHICH IS 50 PERCENT OWNED BY THE GULF OIL CORPORATION, HAS YIELDED TO THE DEMANDS OF THE KUWAITI

AUTHORITIES ON THE PRICE IT WILL PAY FOR OIL WHICH IT BUYS BACK FROM THE GOVERNMENT OF KUWAIT. THE PRICE TO BE PAID RETROACTIVELY FOR SHIPMENTS MADE DURING THE FIRST 5 MONTHS OF THIS YEAR HAS BEEN AGREED UPON AT DOLS 10.85 PER BARREL, OR 94 PERCENT OF THE POSTED PRICE. FOR THE PERIOD JUNE-SEPTEMBER OF THIS YEAR THE BUYBACK PRICE WILL RISE TO DOLS. 10.95, OR JUST UNDER 95 PERCENT OF POSTING.

QTE WE REGRET VERY MUCH THAT GULF HAS AGREED TO THESE VERY HIGH BUY-BACK LEVELS - THEY EXCEED ANY OTHER BUYBACK PRICES AS YET REACHED. THIS DEVELOPMENT RUNS COUNTER TO CURRENT TRENDS IN THE WORLD OIL MARKET IN WHICH PRICE LEVELS FOR PETROLEUM PRODUCTS AND BIDS FOR AUCTION OIL HAVE BEEN DECLINING. EFFORT TO SUSTAIN THE PRESENT PRICE LEVEL OR TO INCREASE IT CAN ONLY WORSEN THE PROBLEMS NOW FACED BY THE WORLD ECONOMY AS A RESULT OF THE MASSIVE AND ABRUPT OIL PRICE INCREASES OVER THE PAST YEAR. UNQTE. KISSINGER

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**To:** TEL AVIV JERUSALEM  
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